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## **STATEMENT TO THE LEGISLATURE**

**BY**

**ROBERT F. NIXON**

**TREASURER OF ONTARIO**

**AND**

**MINISTER OF ECONOMICS**



**ON**

**1989-90 MAJOR TRANSFER PAYMENTS**

**DECEMBER 12, 1988**

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I am announcing today the funding levels for the coming fiscal year for major transfer programs. In 1985, the Government made a commitment to provide advance notice of funding levels to the major service providers to allow them to plan their budgets effectively.

The support levels I am announcing today comprise more than 40 per cent of the Province's budget and represent Ontario's financial support for hospitals, universities, colleges, school boards and municipalities.

Before I talk more about the individual grant levels, I would like first to make some brief comments about the economic and fiscal health of Ontario.

1988 is the sixth consecutive year of strong economic growth in Ontario. The real output of the Province is forecast to increase by 4.5 per cent in 1988. In the coming year, the economy will enter a period of more moderate growth, expected to be almost 3 per cent. The unemployment rate is expected to remain near this year's 14-year low of 5 per cent and inflation is expected to remain moderate.





The annual Economic Outlook and Fiscal Review, which will be released shortly, will provide a complete forecast for the upcoming year.

With the economy growing at a more moderate and sustainable level, the rate of growth of the Province's revenue base will not match the pace experienced over the past six years.

The funding I am announcing today is in keeping with the sustainable rates of growth we forecast for the economy. While the rates of increase in grants will be moderate, due to the declining rate of increase in economic growth, they will permit universities, colleges, schools, hospitals and municipalities to continue to ensure the efficient delivery of services to the people of Ontario.

The grant level announcements reflect the priorities accorded health care and education by the Government.



The total allocation for the operation of hospitals for 1989-90 will be increased by 8.1 per cent to approximately \$6 billion. This represents an increase of more than \$400 million above this year's level for Ontario's hospitals.

The Minister of Health, Elinor Caplan, is currently undertaking consultations on a new funding arrangement for hospitals with the Ontario Hospital Association. When those discussions are completed, the Minister of Health will provide the details on today's funding announcement. With the new funding arrangements, and an increase of 8.1 per cent in provincial support, hospitals will be able to continue meeting health care needs in Ontario's communities while avoiding operating deficits in future.

Total funding for the operation of universities in 1989-90 will increase by 7.5 per cent over the level of the current fiscal year. Of the \$1.7 billion provided to universities, \$88 million is included to fulfill the commitment made in the 1988 Budget to improve accessibility to Ontario's universities.





The 1989-90 operating grants for Colleges of Applied Arts and Technology will approach \$700 million. Overall funding for the colleges will grow by 5.6 per cent. My colleague, Lyn McLeod, the Minister of Colleges and Universities, will soon announce the details of these increases.

Provincial support for the operation of school boards will increase by 6.1 per cent in 1989-90. This increase will add approximately \$240 million in funding for school boards, bringing total operating support to more than \$4.1 billion. Included in that amount is approximately \$80 million to continue to implement the Government's 1987 Throne Speech initiatives to reduce class sizes, strengthen student computer skills and improve the teaching of science in schools.



Transfer payments to the municipal sector in 1989-90 will total approximately \$4.4 billion which amounts to an increase of 5.4 per cent. Within the overall allocation, more than \$220 million in additional funding will be provided to municipalities for priority areas. In particular, total payments to municipalities for general welfare for individuals and families in need will increase by 10.8 per cent. In addition, the allocation for water and sewer projects will increase by 11.3 per cent, for municipal transit facilities by 11.4 per cent, and for child care services provided in day nurseries by 13.9 per cent.

Unconditional grants will be funded at \$871 million again next year, and municipal road assistance will also be maintained at the \$678 million level.

The financial position of our municipal sector has strengthened in recent years and I believe that these allocations are realistic and in keeping with changing priorities. To fund local priority activities and projects beyond these levels, many municipalities will choose to raise additional funds from local financing sources.





Today I am tabling a green paper describing approaches of assisting municipalities and school boards with the financing of growth-related capital needs. These approaches create a consistent framework for municipal lot levies, enable school boards to establish education lot levies and explore other innovative means of financing capital expenditures. I invite briefs regarding possible improvements to these approaches to financing capital expenditures or other alternatives. As the Government anticipates introducing legislation on approved approaches early in the next session, municipalities are expected to maintain their lot levies at current levels until that time.

I am confident that these allocations will enable our major partners to continue providing quality health care, essential municipal services and excellence in education at all levels.

